JUNE 2015 QUARTERLY ACTIVITIES REPORT
31 July 2015

JUNE QUARTER HIGHLIGHTS

CORPORATE

- Binding Heads of Agreement signed with private Brazilian group, Ecosinter – Indústria de Beneficiamento de Resíduos Ltda, to sell the 100%-owned Candonga DSO Project in SE Brazil for R$4M (A$1.7M).
- The divestment of the Candonga DSO Project is consistent with Centaurus’ previously announced plans to realise value from its iron ore assets and to progressively reposition the Company outside of the bulk commodities sector.
- Completion, subsequent to quarter end, of A$310,000 share placement, comprising 51M shares at 0.6 cents with a 1-for-5 attaching unlisted option. The funds raised will be used to support the Company’s ongoing exploration activities which, in the short term, will be principally focused on the Mombuca Gold Project.
- Centaurus is continuing to evaluate and progress a number of opportunities to realise value from its other Brazilian iron ore projects, including the advanced, 3Mtpa development-ready Jambreiro Project and the Conquista DSO Project, located near Candonga.

EXPLORATION – MOMBUCA GOLD PROJECT

- New tenement – the Mombuca Project – granted to Centaurus, which hosts a regionally significant magnetic anomaly with significant high-grade gold and iron ore potential.
- Geochemical sampling returned gold values in soils up to 0.8g/t Au over an extensive, open-ended zone 1.5km long and varying in width from 50-150m.
- Rock chip samples from mineralised quartz veins in the target area returned grades of up to 9.3g/t Au with historical face sampling of adits in the area returning intercepts of up to 6m @ 5.3g/t Au.
- The newly defined zone is coincident with a prominent magnetic low structure within a broader regional magnetic anomaly which has dimensions of 4.8km by 3.5km.
- Several drill targets are already evident from the soil results received to date, coupled with detailed geological mapping and the identification of auriferous quartz veins.
OVERVIEW

The June Quarter was a pivotal period for Centaurus Metals Limited (ASX: CTM), with the Company taking the first important steps as part of a strategy to reposition itself outside of the bulk commodities sector, realise value from its existing iron ore assets and refocus on projects capable of delivering acceptable returns to its shareholders within a reasonable timeframe.

This strategy followed an extensive strategic review of the Company’s existing portfolio and the completion of an update of the Feasibility Study on the Candonga DSO Project.

The Board concluded that in the current challenging environment for iron ore projects generally, it would be extremely difficult for Centaurus to secure debt or equity funding on acceptable terms to bring the Candonga Project into production.

Accordingly, the Company commenced a process to secure an outright sale or joint venture of Candonga and its other projects including Jambreiro and Conquista, while at the same time working on new opportunities both in Brazil and in other jurisdictions.

In this regard, Centaurus was able to secure the grant of the highly prospective Mombuca Project during the Quarter and commenced initial low-cost exploration activities focused mainly on its gold potential.

SALE OF CANDONGA PROJECT

Subsequent to the end of the Quarter, Centaurus entered into a conditional but binding Memorandum of Understanding (MOU) to sell the 100%-owned Candonga Iron Ore Project to a private Brazilian group, Ecosinter – Indústria de Beneficiamento de Resíduos Ltda (“Ecosinter”), for R$4 million (A$1.7 million), subject to completion of a 15-day due diligence period. A R$400,000 deposit was paid by Ecosinter.
The balance of the consideration will be paid in nine equal monthly instalments from the time of signing the formal documentation. The 15-day due diligence period has been completed and both Centaurus and Ecosinter are now working towards completion of formal documentation, including the assignment of third party royalty obligations attaching to the Candonga Project.

The divestment of the Candonga DSO Project is consistent with Centaurus’ previously announced plans to realise value from its iron ore assets in south-eastern Brazil and to progressively reposition the Company outside of the bulk commodities sector in light of the difficult funding environment for bringing new iron ore capacity on stream where an established cash flow stream does not already exist.

Ecosinter is a private company from the State of Minas Gerais, Brazil with experience in small scale domestic iron ore operations and downstream processing. The group has strong established relationships in the Brazilian steel and pig iron markets.

OTHER IRON ORE PROJECTS

Conquista DSO Project

The Conquista Project comprises a portfolio of highly prospective tenements with extensive Direct Ship Ore (DSO) mineralisation located just 8km along well maintained gravel roads from the Candonga Project. The Company has established an Exploration Target for the Conquista tenements of 3.5-8Mt of high-grade DSO grading 64-67% Fe, with a further 20-40Mt of itabirite mineralisation grading 35-45% Fe. The Exploration Target is based on detailed geological mapping, the auger drill-hole results and is underpinned by the ground magnetic survey1. The Exploration Target quantity and grade is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

While the Conquista Project did not form part of the Candonga divestment process, the Company’s sees significant value in the Project which also has the potential to be a strong future supplier of high quality product to the domestic steel and pig iron markets. Conquista has the ability to significantly enhance the future economics and life of the Candonga Project, or be a successful standalone project.

With this in mind, Centaurus plans to undertake some future low-cost exploration at the project to enhance confidence in the Exploration Target and the overall value of the Project before looking to realise value via divestment or joint venture.

The sale of the Candonga Project has demonstrated that even small DSO Projects have value in Brazil due to the nature of the very low mine gate operating costs and their ability to supply the local steel and pig iron industries with high grade, low impurity lump and sinter feed products. Consequently, Centaurus will aim to extract value from the Conquista Project and treat it as a means of raising capital for future exploration on the Company’s non-iron ore assets. Expressions of interest in the Conquista Project have been received from a number of local companies including the buyers of the Candonga Project.

Jambreiro Project

The Company’s 100%-owned Jambreiro Project, located in south-east Brazil, is a shovel-ready development project that is licenced for 3Mt pa of wet production and which represents a strategic asset in the Brazilian domestic iron ore and steel sector.

As outlined above, Centaurus intends to pursue opportunities to extract value from the Jambreiro Project via either an outright sale or joint development proposition, and discussions are continuing with interested parties.

1 Refer to ASX announcement on 19 March 2015 for further information on the Exploration Target for the Conquista Project.
MOMBUCA GOLD PROJECT

During the Quarter, Centaurus secured the tenure over the Mombuca Project (subject to an option Agreement with Terrativa) – an exciting new multi-commodity exploration target with potential for both high-grade gold and iron ore mineralisation in the State of Minas Gerais, Brazil.

The Mombuca tenement is located immediately to the east of the Company’s 100%-owned Itambé tenement and roughly 100km north-east of the State capital of Belo Horizonte. The tenement, which Centaurus had been trying to secure for more than five years, hosts a regionally significant magnetic anomaly.

Initial exploration activities commenced over the new Mombuca Project immediately following the grant of the tenement, comprising a low-cost soil sampling program and a desktop review of the government generated aeromagnetic data.

Soil sampling results

Results from the soil sampling program were reported subsequent to the end of the Quarter\(^2\) and significantly enhanced the Mombuca Project’s gold exploration potential. Assay results from the sampling returned gold values in soils up to 0.8g/t Au, with the program successfully defining an open-ended zone extending over a strike length of 1,500m and with widths varying from 50m to 150m.

The results demonstrate continuity across the main target units and correlate well with the mapping of the alteration zones completed to date. Locally, the soils results are a good indicator of the potential widths of the mineralized system. Rock chip samples from mineralized quartz veins in the target area returned results of up to 9.3g/t Au and historical face sampling of the adits located in the area has returned gold intercepts of up to 6m at 5.3g/t Au (see Figure 1).

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\(^2\) Refer to ASX announcement on 9 July 2015 for full details of Mombuca soil sample and exploration program results.
Although the adits are located in the south-western zone of the sampled area, it is the north-eastern target zone that is proving to be quite exciting at this early stage of exploration. Gold anomalies in soils are stronger in this zone, and are coincident primarily with strong sericite-carbonate alteration of the mafic schists as well as the talc-chlorite hydrothermal alteration present in the ultra-mafic schist and auriferous quartz veins.

In the north-east zone multiple quartz veins up to 20m wide and striking over 50m have been identified at surface. The quartz veins often host limonite, iron oxides, boxworks after weathered sulphides and occasional fresh sulphides (mainly pyrite), see Figure 2. Visible gold has been identified in some of the veins.

Figure 2 – Quartz vein with Limonite pseudomorphs after pyrite with boxworks (674377mE, 7851107mN).

To date rock chip samples taken from these veins identified at surface have included assay results of 9.30 g/t Au, 3.16 g/t Au, 3.10 g/t Au and 1.98 g/t Au.

The soils program consisted of 206 soil sample assays and covered the preliminary exploration target zone, which is a metavolcanic-sedimentary sequence consisting of quartzites, iron formations (itabirite), mafic and ultra-mafic schists. The sequence dips shallowly to the east-southeast, in the direction of the untested regional magnetic anomaly (Figure 3).

Interestingly, the anomalous soil zone identified from the current soils program is coincident with a prominent magnetic low structure within the broader regional magnetic anomaly (Figure 3). The magnetic low response may be associated with either hematite-rich zones caused by hydrothermal upgrade of the itabirite or iron oxide depleted zones due to sulfidation of the itabirite. Both are key target features for future gold exploration.

The Mombuca Project is located in the southern segment of an extensive gold-palladium belt. This belt is roughly defined by a series of north-south trending lineaments of thrust faults of Brasiliano orogeny (~0.6 Ga), coincident with occurrences of gold-palladium-platinum mineralisation, artisanal workings and, in some cases, iron ore and gold mines (Itabira, Gongo Soco). The Mombuca tenement hosts a regionally significant magnetic anomaly as shown in Figure 4.
Figure 3: Mombuca Project Gold Occurrences on Regional Aeromagnetic Image

Figure 4: Mombuca Project Au-Pd Belt of Minas Gerais; Mombuca and Itabira Regional Aeromagnetics Image
The Mombuca Exploration Program

Based on the soil results, coupled with detailed geological mapping and the identification of the auriferous quartz veins, several drill targets are already evident. The Company is continuing to progress its low-cost exploration activities on the Mombuca Project, underpinned by funding secured via a recently completed share placement (see below) and the sale of the Candonga DSO Project to a private Brazilian group (see above).

This low cost work includes continued detailed geological surface mapping of the target sequence and the previously unmapped areas of the Mombuca tenement. A stream sediment sample and pan-concentrate gold colour count program is underway for the larger area.

Ground magnetics and IP survey work programs are also planned as they will be important in improving the Company’s geological understanding of the regional-scale structures within the project area. The magnetic anomaly on the newly acquired Mombuca tenement is regionally significant. It has dimensions of 4.8km by 3.5km and is one of the strongest anomalies in the region. It is of a similar scale to, and located just 20km north of, the world-class Itabira Iron Ore mine (Figure 3), which has been operating for over 60 years.

CORPORATE

Capital raising

Subsequent to the end of the Quarter, Centaurus completed a A$310,000 share placement to support its ongoing exploration activities which, in the short term, will be principally focused on the Mombuca Gold Project.

The Placement comprised 51 million shares at 0.6 cents with a 1-for-5 attaching unlisted option. The shares and options were issued in one tranche under the Company’s existing placement capacity. The options will have an exercise price of 2.5 cents and an expiry date of 30 September 2016. The Placement was made to a number of existing shareholders who have demonstrated their support for the strategy to reposition Centaurus.

Cost Reductions

With the move away from the development of its Candonga and Jambreiro Iron Ore Projects, the Company has been progressively reducing its cost structure to be more reflective of the new operating regime and its focus on exploration activities.

Over the last 6 months the Company has

- Reduced the remuneration of the Board and CEO, which followed an earlier reduction in the size of the Board;
- Relocated offices in both Australia and Brazil to smaller and lower cost premises;
- Reduced overall staff numbers in Australia and Brazil;
- Agreed with some members of the management team to have a percentage of their remuneration paid in CTM shares; and
- Agreed with its staff in Brazil to hold existing remuneration levels for the 2015/2016 year as opposed to a minimum inflationary increase in salaries as provided for under Brazilian regulation.

The reductions in the cost structure are continuing into the current quarter.

In addition to the contribution to the cost savings by the Board and CEO, the Directors have contributed significantly to the equity raisings undertaken by the Company. The Centaurus Board remains committed to delivering new growth opportunities for the Company in Brazil and investigating new opportunities outside of iron ore.
Management Changes

During the Quarter John Westdorp resigned as Chief Financial Officer and Company Secretary to take up another opportunity in the resource sector.

Experienced resources executive Mr Geoff James has re-joined Centaurus as Company Secretary/Financial Controller on a consulting basis. The Board of Centaurus would like to thank Mr Westdorp for his significant contribution to the Company over the past few years and wishes him well with his new position.

Annual General Meeting

The Annual General Meeting of the Company’s shareholders was held on 26 May 2015, with all resolutions passed on a show of hands.

Cash Position

At 30 June 2015, the Company held cash reserves of A$0.3 million. Subsequent to quarter end the Company raised A$0.3 million in new equity and agreed to divest the Candonga Project for R$4 million (A$1.7 million) to be paid over 10 equal monthly instalments. These funds will allow the Company to continue the process of divesting its iron ore assets and continuing its exploration activities into other commodities such as gold at the Mombuca Project.

Shareholder Information

Subsequent to the completion of the share placement on 13 July 2015, the Company had 351,546,321 shares on issue with the Top 20 holding 57.6% of the total issued capital. Directors and Senior Management held 6.6% of the total issued capital.

DARREN GORDON
MANAGING DIRECTOR

Competent Person’s Statement

The information in this report that relates to Exploration Results is based on information compiled by Roger Fitzhardinge who is a Member of the Australasia Institute of Mining and Metallurgy. Roger Fitzhardinge is a permanent employee of Centaurus Metals Limited.

Roger Fitzhardinge has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve’. Roger Fitzhardinge consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.